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Great Britain Tariff Commission

The tariff system of Europe and America

[London]

[1905]

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THE TARIFF COMMISSION.

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THE TARIFF SYSTEMS OF EUROPE AND AMERICA.

General Conditions influencing Tariffs.

The **tariff systems of Europe and America** in operation at the present time are exceedingly diverse in character, no two countries having identically the same system. The differences which exist arise from the fact that the structure and organisation of industry of one country differs from that of another, and that the tariff systems adopted have been gradually worked out, not with a view to satisfying any theoretical criteria, but in order to secure certain objects of public policy. Moreover, the actual system of tariffs adopted by any one country can rarely be understood without reference to other parts of their public policy, such as their transport system, navigation laws (such as exist in France and as were recommended by the Shipping Commission, which recently reported in the United States), methods of regulating labour, and generally the relations between the Government and industry and commerce. Notwithstanding, however, this diversity of practice in the various countries of Europe and America, their tariff systems at the present time fall into certain broad divisions.

(1) THE GENERAL TARIFF SYSTEM.

The General Tariff System. United States, Belgium, Swed Portugal, Denmark, Roumania.

A country which adopts this system has a single schedule of duties which is applied to imports without discrimination as to their origin. The most important example of this system is to be found in the **United States of America.** Amongst other countries which have adopted it may be mentioned **Belgium, Sweden, Portugal, Denmark and Roumania.** In practice, however, it has proved in many cases impracticable to maintain this system intact. With the growth of the commercial relations with other countries the necessity has arisen for the conclusion of commercial treaties. In these circumstances the country with a general tariff system as above described has either to depart from it and adopt a double tariff, or else incorporate in the general tariff the conventional rates and extend concessions granted to one country to any country. Thus Belgium, which has a general tariff, as above described, **grants the tariff concessions to one country to other countries.** Norway, which under the law of 1894 had a general tariff, changed to the maximum and minimum system, under which the concessions granted to Spain and Switzerland were extended to other countries.

(2) THE GENERAL AND CONVENTIONAL TARIFF SYSTEM.

General and Conventional Tariff System. Germany, Austria, Italy, Switzerland.

The best example of this system is **Germany.** Under this system the **general or autonomous tariff,** consisting of relatively high rates of duty, forms the basis of negociations with the countries with which it is desired to arrange commercial treaties with the view of securing mutual advantages. The results of these negociations are :—(i.) Certain rates of duty of the general tariff are reduced. (ii.) Other rates are "bound by convention." The "bound" rates of duty are those rates which by convention may not be modified while the treaty is in operation. The rates of duty so arranged constitute the **conventional tariff** which is extended to all countries enjoying **most-favoured-nation agreements.** Thus the general tariff as a rule becomes in operation merely a penalty tariff. Other countries, in addition to **Germany,** which have the general and conventional tariff system, are **Austria, Italy and Switzerland.** It should be noted, however, that in some cases provision is made for higher rates of duty than those of the general tariff. Thus Section 10 of the German Customs Law of December 25th, 1902, provides as follows :—

German Custon Law of 1902.

> "Dutiable goods proceeding from States that treat German ships or products less favourably than those of other nations may, without prejudice to the tariff duties, be burdened with a surtax ranging up to 100 per cent. of the tariff duty imposed on such goods or even with a surtax equivalent to the total value of the goods themselves. Goods free of duty in virtue of the tariff may, under the same conditions, be taxed with a duty not exceeding 50 per cent. *ad valorem.*

"In like manner, and save conventional stipulations to the contrary, foreign goods may be subjected to the same duties and customs formalities as are applied to German goods in the country of origin.

"The measures provided for in this section shall be enforced by Imperial ordinance with the assent of the Federal Council."

(3) THE MAXIMUM AND MINIMUM TARIFF SYSTEM.

mum and um Tariff n.

e, Spain, a, Norway, ce, Brazil.

Under this system two rates of duty are stated for most of the articles included in the tariff schedule, the **maximum rates** representing the highest to which duties can be raised and the **minimum** the lowest to which they can be reduced by negociation. Roughly speaking, the **maximum rates** correspond to the **general tariff** as defined above, but the **minimum rates** do not necessarily correspond with the **conventional tariff** as defined above; that is, between maximum and minimum rates of duty there may be **other conventional rates of duty settled by negociation.** The principal countries with the maximum and minimum tariff system are **France, Spain, Russia, Norway, Greece and Brazil.** But of these countries it should be noted scarcely any have adhered rigidly to the system as above defined. In the case of **France** maximum rates may in certain circumstances be increased, and **France** grants minimum rates to all countries having most-favoured-nation agreements. Moreover, in the case of **France** the maximum and minimum system has been further **modified by convention with Switzerland, Russia and Italy,** when certain minimum rates were reduced. **Spain,** on several occasions, found it necessary to go below the minimum rates. **Russia** has modified its minimum rates in the case of **treaties with Germany and France,** and has now a maximum and minimum and conventional schedule. The tariff system also which Russia adopts with regard to Asiatic countries differs from that which she adopts with regard to European countries. Thus, the **treaty of 1828 with Persia** provides for a uniform duty of 5 per cent. *ad valorem* on goods imported by Russian subjects into **Persia,** or by Persian subjects into Russia. A similar provision was made by the **treaty with Turkey** of 1862 for commerce carried on over the Asiatic land frontier. But the trade between Russia and Turkey-in-Europe was regulated by the system described above. **Norway** began with a general tariff system, but found it necessary to change to the maximum and minimum system.

(4) GENERAL REMARKS ON ALL THE ABOVE SYSTEMS.

ral Remarks.

It should be noted that, with the growth of the industries of foreign countries and their consequent differentiation, there has been a marked tendency towards **the greater specialisation of the tariffs.** In the **new German tariff,** which will come into operation next spring, the classification has been revolutionised. This has been made necessary by the great development of German industries since 1892.

ee List. arying Rates f Duties.

The use of the term "General Tariff" **in none of the above cases implies the imposition of a general, uniform rate of duty.** In most of the tariffs mentioned **the free list is extensive, and in all of them the duties are graduated.** The average rate of duty in the German general tariff of 1892 was about 14·4 per cent. *ad valorem*, and of the conventional tariff (*i.e.*, the general tariff as modified by treaty) about 13·5 per cent. *ad valorem*. But in all these tariffs the classification turns out as a rule more important than the rates of duty. (On this point see the Tariff Commission Memorandum on the New German Commercial Treaties—MM 23.)

d valorem and ecific Duties. Weight" Duties.

In the above tariffs the duties are sometimes **ad valorem,** sometimes **specific,** sometimes levied by **weight.** In the **United States** and other tariffs the whole duty leviable is made up partly of a **specific** duty, partly of a **weight** duty. Or, there may be a combination of **ad valorem** and **weight duties.**

st-Favoured- ion Agreements.

The operation of all tariffs is influenced by **Most-favoured-Nation Agreements** and the interpretation of such agreements.

In regard to the latter the practice of the United States differs from that of other countries. The United States reserves to itself the right to grant concessions only in return for certain advantages, and to decide whether the advantages granted by other countries are equivalent to those of specified countries. In the case of European countries, *e.g.*, Germany, the concessions granted to any specified country are extended to other countries having most-favoured-nation agreements.

tration.

In the new German Commercial Treaties special provisions are included for determining by arbitration the precise application of most-favoured-nation agreements to the new duties and any other difficulties arising out of the interpretation of the tariff schedules.

(5) THE SYSTEM PROPOSED BY THE TARIFF COMMISSION.

The system of tariff proposed by the Tariff Commission differs from all those above described. That system is as follows:— **Propo Tariff**

(A) A General Tariff, consisting of a low scale of duties for foreign countries which admit British wares on fair terms;

(B) A Preferential Tariff, lower than the General Tariff, for those of our Colonies which give adequate preference to British manufactures, and framed with a view to securing freer trade within the British Empire;

(C) A Maximum Tariff, consisting of comparatively higher duties, but subject to reduction by negociation to the level of the General Tariff.

(See Report of the Tariff Commission, Vol. I., The Iron and Steel Trades, paragraph 86; Vol. II.. The Textile Trades, Part I., The Cotton Industry, paragraph 110.)

The duties recommended are, at the present stage of the inquiry, stated as *ad valorem* rates, but this is without prejudice to the question whether the duties ultimately recommended should be **ad valorem** or **specific.** That part of the General Tariff which has so far formed the subject of recommendation, namely that which has to do with the Iron and Steel and the Cotton Industry, provides for the free admission of Iron Ore, Raw Cotton and Yarns of all descriptions, and for graduated duties, in no case exceeding 10 per cent. *ad valorem* on the various manufactured products.

The system of tariffs proposed by the Tariff Commission is generally similar to that foreshadowed for Canada.* **The Proposed Canadian Sys**

THE TARIFF COMMISSION,

7, VICTORIA STREET,

LONDON, S.W.

July 22, 1905.

* In the course of his Budget Speech delivered in the Canadian House of Commons on July 6th, 1905, the Hon. W. S. Fielding, Finance Minister, quoted an extract from his Budget Speech of 1904, in which he foreshadowed the adoption of the maximum and minimum system which would involve "a maximum general tariff and a minimum general tariff, and the British preference below that as we have it to-day." Mr. Fielding added ("Toronto Globe" report):—"The maximum tariff would be applied to countries having a higher hostile tariff against Canada, and the minimum tariff to countries with a low tariff and countries which were disposed to trade with us. The British preference would be retained to apply to the mother country and to such colonies of the empire as it might be expedient to apply it to. That was the statement which he had made a year ago, and which, it was not too much to say, had been adopted by the House and the country. The Government would revise the tariff, endeavouring to follow on the lines then indicated. Although they did not propose any extensive changes now, there were one or two items that they proposed to deal with at once. None of them was generally important though each was of much importance to the parties directly interested."

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